Economy | 2005

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The Economy is an annual publication providing a review of economic performance in Newfoundland and Labrador and an outlook for the medium term. Readers should note that most data used in this publication is current as of March 10, 2005, but is subject to revision. For more current information contact the Economics and Statistics Branch.

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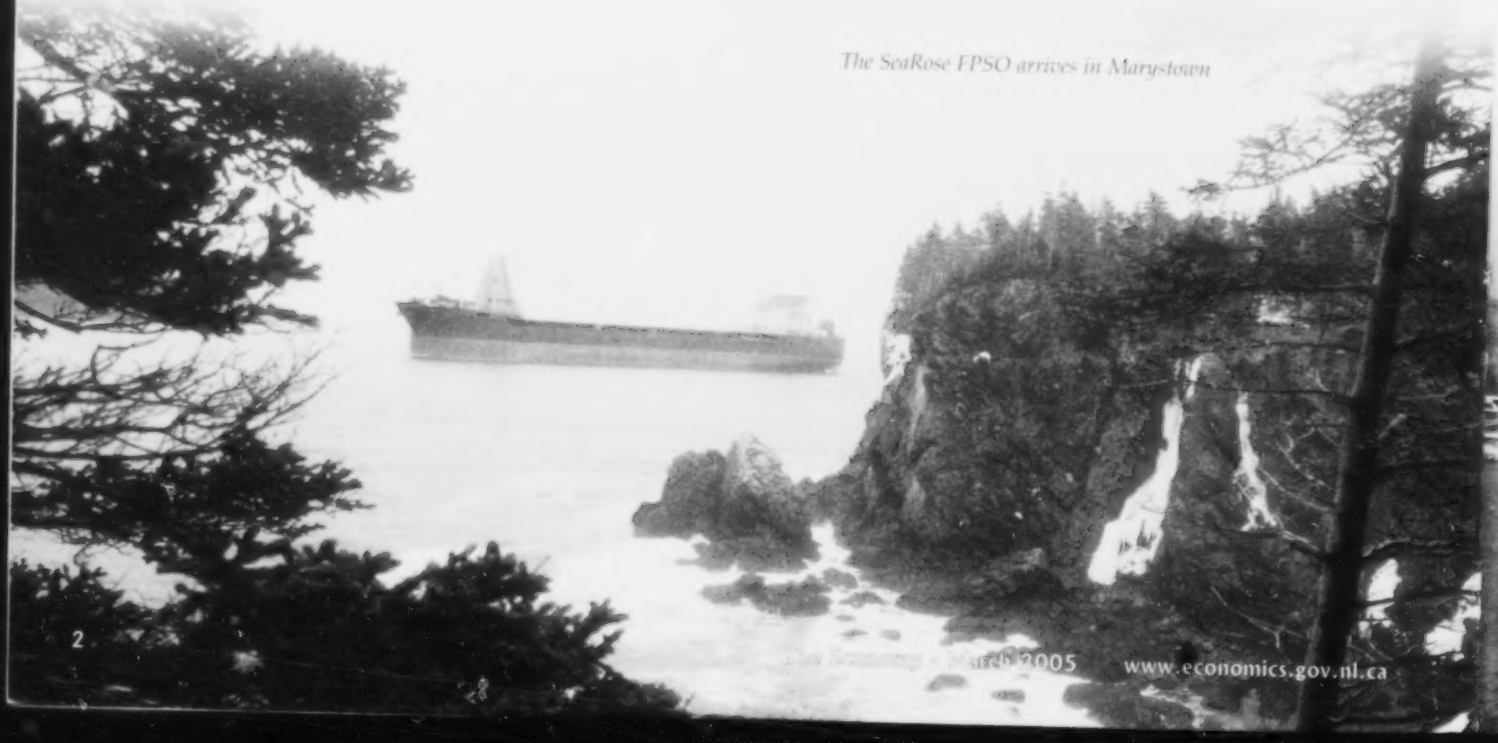
2004 Highlights

Voisey's Bay

- Real Gross Domestic Product (GDP) increased by 1.4% driven mainly by investment and consumer spending.
- Offshore oil production declined 6.7% to 114.8 million barrels due to lost production time at the Terra Nova facility because of an oil spill and related clean-up.
- Employment increased by 1.3% to 215,200 in 2004, continuing a trend of employment expansion over the past several years.
- The unemployment rate fell to 15.6%, its lowest level since 1989.
- Both real personal income and real disposable income increased by 0.8%.
- Inflation averaged 1.8% in 2004, down from 2.9% in 2003.
- Retail sales expanded by 0.8% to $5.7 billion.
- Residential construction activity remained strong with housing starts up 6.6% to 2,870 units.
- Capital investment increased to over $4.2 billion, up 13.8% over 2003 levels, largely due to the White Rose and Voisey's Bay projects.
- Tourism performance was up from 2003. Visitors to the province increased by 5.9% to 449,300 and expenditures totalled $330 million.
- The value of manufacturing shipments grew by 9.2% to $3.1 billion in 2004.
- The volume of fish landings increased 6.0% to over 326,000 tonnes; value (including seals) rose by 5.1% to $605.1 million.
- Newsprint shipments totalled 731,700 tonnes, 6.3% lower than 2003, reflecting weak markets. Shipment value declined 4.7% to $524 million.
- Iron ore shipments dropped by 24% to about 15 million tonnes due to labour disruptions at both IOC and Wabush Mines.



The SeaRose FPSO arrives in Marystown

2005 Expectations

Hydromet demonstration plant at Argentia

- Real GDP is expected to grow by 2.1% as iron ore production rebounds and Voisey's Bay shipments begin.
- Employment is expected to grow by 1.4% to 218,200 and the unemployment rate is forecast to decline to 15.1%.
- Real personal income is expected to grow by 0.9% and real disposable income is expected to rise by 0.8%.
- Inflation is expected to be 1.7%—lower than inflation in 2004.
- Retail sales are expected to increase to over $5.8 billion, up 2.4% over 2004.
- Housing starts are expected to decline 7.4% to 2,659 units with pent-up demand for new homes now satisfied.
- Capital investment is projected to increase by 1.9% to $4.3 billion as a sharp increase in machinery and equipment investment offsets lower investment on the White Rose and Voisey's Bay projects.
- Offshore oil production is expected to increase by 1.0% to 116.0 million barrels. Terra Nova production is expected to increase by 4.5%, while Hibernia is expected to be on par with 2004.
- First oil from the White Rose field may flow by the fourth quarter of 2005.
- One offshore exploration well is planned for the South Whale Basin. Significant seismic activity is also expected offshore in 2005. Onshore, both Vulcan Minerals Inc. and Canadian Imperial Venture Corp. are planning drill programs in western Newfoundland.
- Tourism performance is expected to hold steady. New accommodation capacity will come on stream in St. John's and on the west coast.
- The value of manufacturing shipments is expected to increase marginally in 2005, primarily as a result of an increase in the price of refined petroleum.
- Fish landings are expected to decline slightly from last year's level, with crab landings accounting for the majority of the decline. Landings of most other species are expected to remain on par with 2004.
- Newsprint shipments are expected to rise by about 4.0% to 760,000 tonnes, and newsprint prices are expected to increase by 7.3%.
- Iron ore shipments are expected to reach 20.6 million tonnes in 2005, an increase of 37% relative to 2004.

The oil tanker, Heather Knutsen, is expected to arrive in Newfoundland and Labrador in 2005 for use on the White Rose project.

Global Economic Environment

World

Global economic growth was 5.0% last year—the highest rate recorded in nearly two decades. Growth was led by a solid economic expansion in the U.S., an ongoing economic boom in China and strong economic activity in Latin America. However, growth in Japan and the European Union was restrained by high oil prices, lagging consumer confidence and appreciation of the Euro and Yen against the U.S. dollar.

Growth in Real GDP (%)

	2004	2005f
WORLD	5.0	4.2
United States	4.4	3.5
China	9.2	8.0
Japan	2.6	1.7
European Union	2.0	1.6
Canada	2.8	2.8

Various sources
f: forecast

A modest deceleration in world economic growth is expected in 2005. Tightening monetary policy and high oil prices should slow growth rates in the U.S. and China. In addition, appreciating currencies and restraints on government spending will likely limit the pace of recovery in Europe and Japan. Nevertheless, world GDP growth is expected to remain strong at 4.2% in 2005.

United States

The U.S. economy expanded at its fastest pace in five years in 2004 as real GDP growth improved to 4.4%. Gains were broadly based as low interest rates kept consumer spending, residential construction and business investment humming. Depreciation of the U.S. dollar and an improving world economy led to export gains, and increased military activity boosted government spending. Concerns over the federal budget deficit and a record high trade deficit continued last year and led to the U.S. dollar depreciating another 6% against major currencies following a 15% depreciation in 2003.

Employment finally began to grow last year after two years of "jobless recovery". U.S. employment increased by 1.1% in 2004 after declining for two consecutive years. The unemployment rate declined slowly during the year as lower participation rates constrained labour force growth. The seasonally adjusted unemployment rate fell from 5.7% in January 2004 to 5.4% in December 2004.

Strong GDP growth and improving labour markets finally began to close the significant output gap that has existed in the U.S. since the 2001 recession. In response to this, the Federal Reserve Board (Fed) began to raise interest rates to slow future growth and head off potential inflationary pressures. The Fed slowly raised the Federal Funds rate with six successive 0.25 percentage point increases since the end of June to its current rate of 2.5%. Rates are expected to continue their gradual rise throughout 2005.

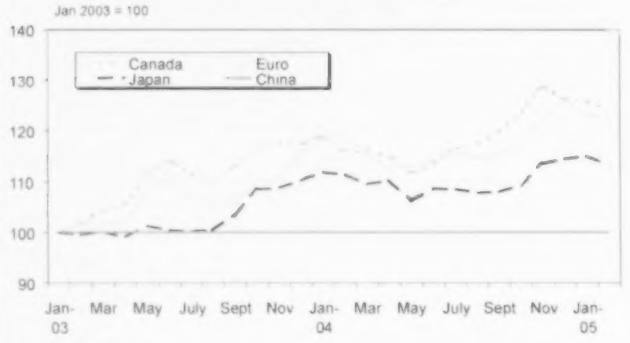
Real GDP and employment are expected to grow by 3.5% and 1.5% respectively this year, as the U.S. economy enters 2005 with plenty of momentum. Relatively low interest rates, wealth gains due to increasing house prices, and healthy profits should continue to boost consumer spending and business investment, while a low dollar should boost exports again this year. However, high oil prices and rising interest rates should temper GDP growth from the strong pace experienced last year.

Canada

The Canadian economy recorded solid GDP growth of 2.8% in 2004. Labour markets continued to improve in tandem with GDP growth. Employment increased by 1.8% and the annual unemployment rate declined by 0.4 percentage points to 7.2%.

Employment gains, low interest rates, growing profits and lower import prices created a favourable climate for consumer spending and business investment. In addition, high commodity prices and a booming world economy boosted exports early in the year. However, the recent rapid increase in the Canadian dollar negatively affected the export sector in the second half of 2004. Following a sharp rise in the first half, exports declined in the third and fourth quarters. Inventories also increased sharply in the fourth quarter, pointing to a possible slowing in future growth.

Exchange Rate Indices for Major Currencies Versus US$



Bank of Canada

Note: China maintains a fixed exchange rate with the U.S. dollar

A growing economy, operating near full capacity, and rising core inflation prompted the Bank of Canada to raise interest rates early in September. Rates were raised again in October, but no subsequent increases were implemented as evidence later emerged that the appreciating dollar was weakening exports and keeping import prices in check.

The single most significant factor affecting the economy last year was the high Canadian dollar and the resulting negative impact on export-oriented industries, in particular the manufacturing sector. Over the past two years strong economic fundamentals, combined with rising commodity prices and broad-based weakness in the U.S. dollar, caused the Canadian dollar to rise from 63.5 cents at the start of 2003 to over 80 cents at the time of writing—the largest appreciation of all major U.S. trading partners. In some cases commodity prices have increased enough to offset the rise in the dollar, but many Canadian exporters continue to be challenged by the appreciation of the dollar.

Canadian GDP is expected to grow by 2.8% in 2005 and employment is forecast to increase by 1.5%. With low interest rates and reduced import prices for machinery and equipment, consumer spending and business investment are expected to perform well. Upward pressure on the dollar should be alleviated by rising U.S. interest rates and stable commodity prices. The Canadian dollar is expected to average roughly 80 cents U.S. in 2005. A strong U.S. economy should temper some of the negative impacts of the high dollar, but lower activity in the manufacturing sector will act as a drag on overall growth.

Provincial Economic Overview

View of St. John's

Review of 2004

Economic activity in 2004 slowed from the rapid pace set over the past several years. Real GDP is estimated to have grown by 1.4%, driven mainly by business investment and consumer spending.

Investment grew by 13.8% last year (11.5% in real terms) to reach $4.2 billion as spending was buoyed by the White Rose and Voisey's Bay developments. In addition, housing starts boosted residential investment—capital expenditures on housing increased by 16.0% to over $1 billion. Housing starts grew by 6.6% to 2,870 units, the highest level recorded since 1990.

Consumer spending growth continued in 2004, albeit at a much weaker pace than in previous years. Retail sales (which account for about 55% of consumer spending) totalled $5.7 billion last year, an increase of 0.8% compared to 2003. The primary reason for weaker overall retail sales last year was the decline in new and used car sales, which typically comprise about 30% of the total value of retail sales. The number of new cars sold in 2004 was down 9.9% compared to 2003.

Real exports declined by an estimated 2.3% last year due to lower oil and iron ore production. Oil production declined by 6.7% as a result of lower production from Terra Nova. Iron ore output fell by 24% as production at both iron ore mines in the province was disrupted by labour disputes.

Employment grew by 1.3% last year to 215,200 person years. The labour force also increased in 2004, but at a significantly lower rate than employment. Consequently, a substantial decline in the unemployment rate was recorded. The unemployment rate fell from 16.4% in 2003 to 15.6% in 2004, the lowest rate recorded since 1989. Employment growth, coupled with wage rate gains, resulted in labour income growth of 3.7% (1.8% in real terms).

Outlook for 2005

Real GDP is expected to post solid growth of 2.1% in 2005. Growth in 2005 will stem primarily from a jump in mineral exports, modest consumer spending gains and increases in government spending. Investment will be a drag on growth this year as construction activity related to Voisey's Bay and White Rose are expected to decline relative to 2004 levels as the construction phases of these projects near completion.

Real exports are expected to increase by over 4% this year, led by mineral shipments which are expected to be up by roughly 40%. Iron ore production is projected to rebound from strike depressed levels last year and nickel/copper/cobalt shipments from Voisey's Bay are expected in Fall 2005. Oil production and newsprint shipments are expected to show modest increases while fish landings are expected to decline due to reduced crab quotas. Service exports, such as telecommunications and transportation, are forecast to continue their solid growth trend increasing by roughly 3%, boosted by strong economic growth in the rest of North America. Other export industries (e.g., refined petroleum, lumber, electricity, etc.) are expected to remain relatively unchanged from 2004.

Retail sales are expected to show a modest improvement from last year, growing by 2.4% aided by improved public sector employment prospects and continued income growth. Capital investment is predicted to increase by 1.9% to a record level of $4.3 billion as a sharp increase in machinery and equipment investment more than offsets declining construction activity on White Rose and Voisey's Bay. Despite the growth in machinery and equipment expenditures, investment will not contribute to economic growth in 2005. Because machinery and equipment purchases have a high import content they do not contribute as much to GDP as an equivalent amount of construction investment.

Employment is forecast to grow by 1.4% to 218,200 as the loss of construction jobs at Voisey's Bay and Marystown (White Rose) are more than offset by production related jobs on these projects, improved public sector performance, and continued growth in private sector services employment. Employment gains are expected to outpace labour force growth, resulting in a decline in the unemployment rate from 15.6% to 15.1%. Population decline is expected to continue at a slow pace (-0.2%).

Beyond 2005

Development and production schedules of major projects will continue to have a significant influence on economic growth over the next several years. Real GDP is expected to increase sharply in 2006 as both White Rose and Voisey's Bay record a full year of production. Beyond 2006, GDP numbers are negatively impacted by expected declines in Terra Nova and Hibernia oil production as these projects pass their production peaks. GDP aside, many other economic indicators are much more stable over the forecast period. This is because changes in mineral and oil production have a greater impact on GDP than on employment and income, a fact illustrated in the adjusted GDP figures. The medium-term outlook would be improved substantially by the development of other major projects such as Hebron and Lower Churchill.

Economic Indicators

	2004	2005f	2006f	2007f	2008f
Real GDP					
at Market Prices (97$m)	15,754	16,085	16,909	16,871	16,628
% change	1.4	2.1	5.1	-0.2	-1.4
% change, adjusted*	2.8	1.9	0.0	1.9	1.1
Personal Income ($m)	12,669	12,992	13,368	13,858	14,252
% change	2.7	2.6	2.9	3.7	2.8
% change, real	0.8	0.9	1.1	1.7	0.9
CPI (1997=100)	113.6	115.5	117.5	119.7	122.0
% change	1.8	1.7	1.7	1.9	1.9
Retail Sales ($m)	5,721	5,857	5,957	6,097	6,223
% change	0.8	2.4	1.7	2.4	2.1
% change, real	-1.4	0.8	-0.1	0.5	0.2
Housing Starts	2,870	2,659	2,438	2,412	2,388
% change	6.6	-7.4	-8.3	-1.1	-1.0
Capital Investment ($m)	4,223	4,303	3,914	3,741	3,548
% change	13.8	1.9	-9.0	-4.4	-5.2
% change, real	11.5	1.3	-8.9	-4.8	-5.3
Employment (000s)	215.2	218.2	219.1	221.2	222.7
% change	1.3	1.4	0.4	1.0	0.7
Unemployment Rate (%)	15.6	15.1	15.0	14.6	14.2
Population (000s)	517.0	516.1	515.3	514.4	513.0
% change	-0.3	-0.2	-0.2	-0.2	-0.3

Statistics Canada; Economic Research and Analysis Division, Department of Finance

*Note: Adjusted GDP excludes production income from major projects accruing to non-residents.

F: forecast, Department of Finance, March 2005

Oil and Gas

Support vessel Maersk Placentia

Offshore Production

Annual oil production declined for the first time in 2004. Total production was 114.8 million barrels, a decline of 6.7% compared to 123.0 million barrels produced in 2003. Despite lower production, the estimated value of oil production was up 15.1% to $5.7 billion as a result of escalating oil prices. Oil production directly accounts for about 17% of GDP.

The decline in oil production in 2004 was the result of lower production from the Terra Nova facility. Terra Nova produced 40.2 million barrels, down 17.6% from 48.8 million barrels in 2003. Significant production losses occurred in the final two months of 2004 when over 30 production days were lost due to an oil spill, the subsequent investigation, and related facility repairs. In addition, production was constrained at times during the first ten months of 2004 due to gas compression issues and facility repairs. Production returned to normal levels by early-January 2005. Approximately 900 person years of direct employment were associated with the Terra Nova project in 2004.

Production from the Hibernia facility reached a new high in 2004 with output of almost 74.6 million barrels. This represented growth of 0.6% from 2003 and marked the seventh consecutive year that annual Hibernia production has increased. Almost 800 person years of direct employment were associated with the Hibernia project in 2004.

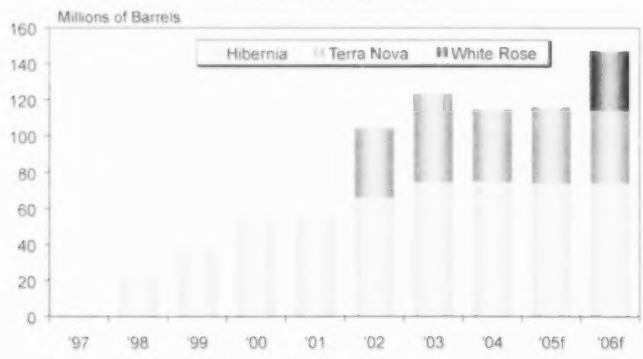
White Rose Development

Work is continuing on the province's third major offshore development, White Rose, which is scheduled to produce first oil in late 2005 or early 2006. When White Rose comes on stream, it is estimated that Newfoundland and Labrador will produce about 40% of Canada's conventional light crude oil. A more in-depth discussion of the White Rose project is provided on page 10.

Hebron Oil Development

In early 2002, Chevron Canada Resources discontinued evaluation of the Hebron project citing demanding reservoir characteristics and high development costs as the primary reasons for suspension. While these challenges remain, preliminary activities are ongoing that may lead to project development. The four project partners are in the process of

Oil Production



Economic Research and Analysis Division, Department of Finance
Note: This chart reflects an increased reserve estimate for the Hibernia field (940 million barrels).
f: forecast

negotiating a joint operating agreement, which is required before further work can proceed. Upon successful completion of this agreement, a decision on the preferred method of production would have to be made. In late 2004 Petro-Canada stated that oil would likely flow from Hebron in 2010 or 2011.

Hibernia platform

Exploration

Exploration is the key to sustaining the industry over the long term. While offshore exploration was limited in 2004, with efforts confined to the collection of seismic data, activity is expected to pick up in 2005. Exploration activity this year is expected to include continued collection of seismic data and exploration drilling. Husky Energy is planning exploration drilling in the South Whale Basin and intends to carry out a 3-D seismic shoot in the northern Jeanne d'Arc Basin and a follow-up geohazard survey. Chevron Canada Resources is planning to conduct a seismic program on the Orphan Basin this year. While there are no plans to drill any wells in the Orphan Basin in 2005, up to three wells could be drilled by mid-2006 or 2007. Up to nine additional wells could follow in the Orphan Basin depending on drilling results and additional 3-D surveys. Activity is also expected to intensify in the Laurentian Sub-Basin with ConocoPhillips planning a 3-D seismic program, building on the 2-D program completed in 2004.

Onshore, two exploration wells were drilled in 2004. Contact Exploration Inc. drilled a well at Parsons Pond and Vulcan Minerals Inc. drilled the first well of a planned multi-well program at its Flat Bay #2 property. Vulcan plans to drill two more wells this spring, once the data from the first well and its latest seismic survey have been evaluated. Vulcan is also planning to drill on two of its other prospects on the province's west coast. In addition, Canadian Imperial Venture Corp., in partnership with Alliance Energy Corporation, are planning a $5 million 3-D seismic survey in 2005 and East Resources Incorporated plans to shoot a seismic program in the area.

Outlook for 2005

- Oil production is expected to increase by 1.0% to 116.0 million barrels. Terra Nova production is expected to increase by 4.5% to 42.0 million barrels. Hibernia production of 74.0 million barrels would be on par with 2004.
- Oil prices are expected to remain high, averaging roughly US$40 per barrel for the year.
- White Rose spending is expected to exceed $500 million and may produce first oil by year's end.
- Total direct employment on the three major oil projects is expected to approximate 3,200 person years in 2005. This is down from about 4,000 person years in 2004 as a result of the winding down of White Rose construction work.

Natural Gas Development

There is tremendous potential associated with offshore natural gas development. Current total discovered resources are estimated at 9.6 trillion cubic feet (tcf), with 4.2 tcf located off the coast of Labrador and 5.4 tcf located in the northeast Grand Banks region. The Laurentian Sub-Basin is also estimated to contain 6.0 tcf of undiscovered natural gas resources. In anticipation of development, the provincial government is developing a natural gas royalty regime which will apply to all natural gas developments. With continuing advancements in production and transportation technology, and growing demand for a reliable natural gas supply by the U.S. market, the likelihood of natural gas development is increasing.

White Rose

SeaRose FPSO—Marystown

White Rose, the third offshore oil field to be developed in the province, has recoverable oil reserves estimated in the range of 230-285 million barrels. The capital cost of the project to first oil is estimated at $2.0 billion.

Project Overview

Significant progress was made on the White Rose development in 2004, with the majority of work associated with field integration of the subsea production system; topsides construction and integration of the *SeaRose FPSO*; and continued drilling of development wells. Activity related to integration of all the topsides modules into one functioning unit commenced in 2004 and by year's end the overall FPSO was 92% complete. Topside integration work is expected to continue until the third quarter of this year when the FPSO is expected to leave for the White Rose field for testing and installation. Currently, fabrication is underway on the production and gas injection flowlines that will connect the subsea well head equipment to the FPSO. Over 2,300 person years of direct employment were associated with the White Rose project in 2004.

Development drilling, which progressed throughout 2004, will continue in 2005. To date, eight of the 19-21 planned development wells have been drilled: two production wells (7-8 planned), one gas injection well (2 planned) and five water injection wells (10-11 planned). The project operator, Husky Energy, is also planning to conduct delineation drilling at White Rose in 2005, pending availability of a second drill rig.

White Rose is expected to begin producing oil in late 2005 or early 2006. It is estimated that the project will generate 550 person years of production employment on an annual basis. This does not include the significant spin-off positions that the project will support. The project is expected to generate about $400-$600 million in provincial royalties over the life of the oil project.

Project Milestones

March 2002	Owners' decision to proceed
August 2002	Topsides fabrication began at Marystown
September 2003	Development drilling commenced Glory hole excavation completed
April 2004	FPSO arrived in Marystown from South Korea
July 2004	Topsides heavy lift campaign completed
August 2004	FPSO integration and commissioning began
Q1 & Q2 2005	Shuttle tankers delivery
Q3 2005	FPSO sails for the White Rose field
Q4 2005 or Q1 2006	First oil

Development of Natural Gas

The potential development of White Rose's natural gas reserves holds significant promise for the province's oil and gas industry. It is estimated that the White Rose field contains 2.2-2.7 trillion cubic feet of natural gas reserves. Husky Energy issued an Expression of Interest (EoI) in May 2004 to assess the various technical, economic and regulatory issues related to development of natural gas on the Grand Banks, as well as the capital and operating costs of such a development. Over 40 responses were received to the EoI, and Husky Energy selected three firms to submit proposals on development. Husky Energy has stated that the timeline for production of natural gas in an East Coast development is in the region of eight to ten years. The production of natural gas would significantly extend the life of the White Rose project (currently projected to be 12-15 years) and increase the economic benefits to Newfoundland and Labrador.

Construction

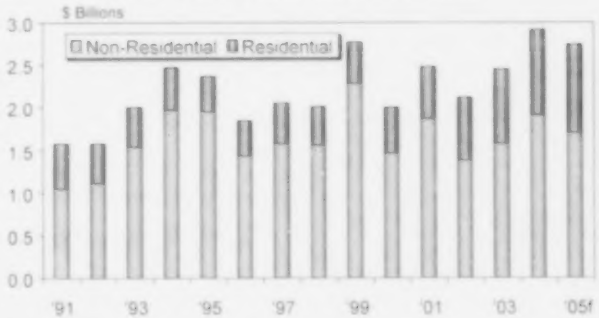
New home construction, Conception Bay South

Activity in the construction industry increased in 2004. Overall, non-residential and residential construction investment grew by 13.6% (8.2% in real terms) to $2.9 billion. This growth was mainly driven by construction work related to major resource projects and higher residential investment. Higher construction expenditures in the mining and oil and gas industries accounted for about 50% of investment growth. Employment in the construction industry increased from an annual average of 9,500 in 2003 to 11,900 in 2004.

Non-Residential

Non-residential construction spending, which accounts for almost two-thirds of total construction expenditures, exceeded $1.9 billion in 2004, an increase of 12.4% over 2003. Higher activity levels at the Voisey's Bay and White Rose projects were the main contributors to this growth. Construction investment in the mining and oil and gas industries totalled more than $1.3 billion, representing an increase of 14.9% over 2003.

Construction Investment



Statistics Canada
f: forecast

Excluding the mining and oil and gas industries, non-residential construction investment increased by 7.3% to $609.8 million in 2004. The increase was widespread, with the most notable change being a six-fold increase in investment by the real estate/rental/leasing industry. Activity was associated with a number of projects throughout the province including the world class Humber Valley Resort located in western Newfoundland; a state-of-the-art sewage treatment facility that will service St. John's, Mount Pearl and a portion of Paradise; as well as many other developments throughout the province.

Residential

Residential construction investment increased 16.0% to over $1 billion in 2004. New construction and renovation expenditures have been rising over the past six years, contributing to the steady growth in the residential sector. This growth is the result of historically low mortgage rates, solid consumer confidence, employment and income growth, and limited supply in the resale market. Household renovations have accounted for the greater portion of total residential construction since 1991, averaging about 55% of residential expenditures over that time period.

Outlook for 2005

- Construction expenditure projected to decrease by 6.8% to $2.7 billion.
- White Rose and Voisey's Bay construction are expected to be completed by year-end. Non-residential construction investment is expected to decline by 10.8%.
- Residential investment is projected to increase by 2.4% due to gains in renovation expenditures.
- Housing starts are expected to decrease by 7.4% due to demand satisfaction in previous years.

Housing starts increased for the fifth consecutive year in 2004 to 2,870 units, up 6.6% over 2003. Residential construction in the St. John's CMA continues to account for the majority of provincial housing starts, comprising 64% of the total last year. Urban areas experienced a 12.2% increase in housing starts over 2003, while rural regions witnessed a 6.0% decline.

Mining

Ten Mile Bay quarry—Labrador

The mining industry is a significant contributor to the provincial economy, directly accounting for about 3% of GDP and 1.4% of employment. The value of mineral shipments was $683 million in 2004 representing an 11.8% decrease over 2003. Reduced shipments of iron ore, due to labour disputes at the Iron Ore Company of Canada (IOC) and Wabush Mines, were responsible for most of the decline in mineral shipments.

Iron Ore

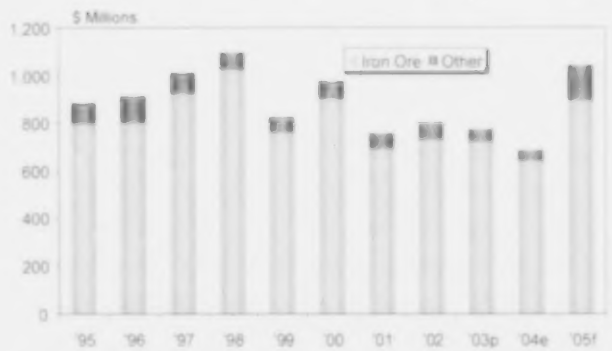
Iron ore comprises more than 90% of the value of total mineral shipments and is currently the main driver of industry performance. Global demand for iron ore has increased in recent years due to higher demand for steel from China's rapidly growing economy. Rising demand has been reflected in iron ore prices—last year pellet prices increased by about 20%. In real terms, iron ore prices in 2004 were the highest since 1985.

Despite strong market conditions, provincial iron ore production was down significantly in 2004 as a result of strikes at both IOC and Wabush Mines. The labour disputes were settled in the Fall, and both companies quickly resumed production to take advantage of strong markets. Total iron ore shipments were 24% lower than in 2003. IOC shipped 11.2 million tonnes of iron ore, down 24% relative to 2003, while Wabush Mines shipped 3.8 million tonnes of product, down 26% from 2003. In total, over 1,700 people were employed at the two mines, accounting for about 70% of all mining employment (excluding development of Voisey's Bay) in the province.

Other Minerals

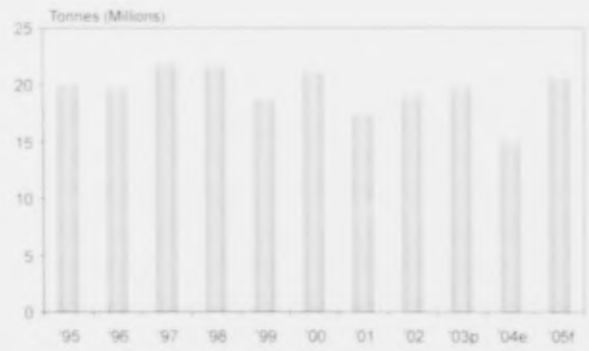
In addition to the two iron ore companies, there are a number of other mineral producers supplying an array of products, such as gold, slate, dolomite and limestone. The value of gold shipments declined by over 70% as the only gold mine in the province, Hammerdown, shut down during 2004 due to exhaustion of its mineral reserves. Most other mineral producers maintained production levels on par with 2003.

Value of Mineral Shipments



Department of Natural Resources; Natural Resources Canada
p: preliminary; e: estimate; f: forecast

Iron Ore Shipments



Department of Natural Resources; Natural Resources Canada
p: preliminary; e: estimate; f: forecast

New Developments

In addition to Voisey's Bay (discussed in detail on page 14), there are several new mining developments on the horizon including the Pine Cove gold mine near Baie Verte and the Duck Pond copper-zinc mine near Buchans.

Iron Ore Company of Canada

Anaconda Gold Corporation, recently announced a decision to proceed with the development of the Pine Cove gold deposit following completion of a feasibility study. The deposit is located six kilometres northeast of Baie Verte. Pending completion of project financing and regulatory approval, the company expects production to begin before the end of 2005. It is estimated that Pine Cove will produce 181,000 ounces of gold over the projected six-year life of the mine. Pine Cove is expected to employ 25 people on an annual basis.

Aur Resources began development of the Duck Pond copper-zinc-silver project in December 2004. The Duck Pond deposit is located approximately 30 kilometres south of the old Buchans base-metal mine. On an annual basis the company expects that the mine will produce around 41 million pounds of copper, 76 million pounds of zinc, 536,000 ounces of silver and 4,100 ounces of gold. Construction of the mine is expected to cost over $92 million, with $57 million to be spent in 2005 and the balance to be spent in 2006. The construction phase of the project will employ 200 people for 18 months and production operations will employ about 188 people annually. The mine is scheduled to start producing late in 2006.

Exploration

Increased market demand and higher mineral prices have resulted in increased mineral exploration in the province. Mineral exploration expenditures are estimated to have increased by 24.7% to almost $29 million in 2004. Exploration efforts during the past year focussed on prospects for gold in central Newfoundland; copper and zinc in the Duck Pond to Victoria Lake and Baie Verte-Springdale areas; nickel-copper-cobalt at Voisey's Bay; and iron ore, nickel and uranium elsewhere in Labrador.

Outlook for 2005

- The value of mineral shipments is expected to increase sharply as Voisey's Bay production begins and iron ore shipments rebound.
- Improving market conditions should result in significantly higher iron ore prices.
- Exploration expenditures are forecast to be about $40 million in 2005, a 40% increase over 2004.

Voisey's Bay

Prestripping of overburden on top of the ovoid deposit

Project Review 2004

Construction activity at the Voisey's Bay mine/concentrator site, the hydrometallurgical demonstration facility in Argentia, and the Inco Innovation Centre at Memorial University of Newfoundland intensified in 2004. In Labrador, cladding of the mill concentrator and excavation of the port site were completed and prestripping of the ovoid deposit began. At the demonstration facility in Argentia, basic engineering was completed and construction of site infrastructure; major item procurement; utilities and service design; and the layout of processing equipment continued. Construction of the Inco Innovation Centre continued during 2004 and is reported to be on schedule and on budget. Total project expenditures in 2004 were estimated at approximately $450 million and employment associated with Voisey's Bay activities approached 1,000 person years. By the end of 2004, work on the current phase of the project was about 70% complete, with project engineering finished and required permits, purchase orders, and contracts in place.

Outlook for 2005

Significant construction activity will continue in 2005. Activity in Labrador will be related to ongoing work at the mine/concentrator site, and will be associated with installation of mechanical, electrical, piping, instrumentation and controls as well as the establishment of permanent infrastructure. The Argentia construction program will include completion of the interior of the process building, completion of residue ponds, construction of the change house and laboratory, installation of equipment skids and also appointment of a process equipment installation contractor. Total project expenditures are forecast to be approximately $300 million, with associated project employment of over 600 person years. Employment is expected to decline as the project moves from the construction phase into production.

As a result of progress in construction and hydrometallurgical research and development, Inco announced in July 2004 that it had the opportunity to advance the construction schedule for Voisey's Bay by six months; with mining now scheduled to begin in May 2005 instead of the first quarter of 2006. When shipments commence at Voisey's Bay it is expected to provide a tremendous boost to provincial mineral shipments. During the first couple of years of operation, the value of mineral shipments from Voisey's Bay is expected to approach $500 million. Production related employment will be about 400 person years and employment at the research and development facility at Argentia will be about 150 person years.

Voisey's Bay Timeline

2005
- Completion of construction and commissioning of mine and concentrator
- Concentrate production begins, hydromet demonstration facility tests concentrate

2006-2007
- Production ramps up at the mine and concentrator
- Testing and optimization of hydromet process at Argentia

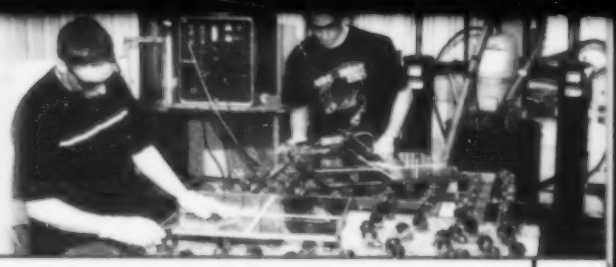
2008
- Complete feasibility study for commercial processing facility
- Decision to construct a commercial scale hydromet concentrate processing plant or a hydromet matte processing plant

2009-2011
- Construction of commercial nickel processing facility at Argentia

2011
- Commencement of commercial processing in Argentia

2018
- Underground mine development and expansion of mill/concentrator processing plant

Manufacturing



Acan Windows

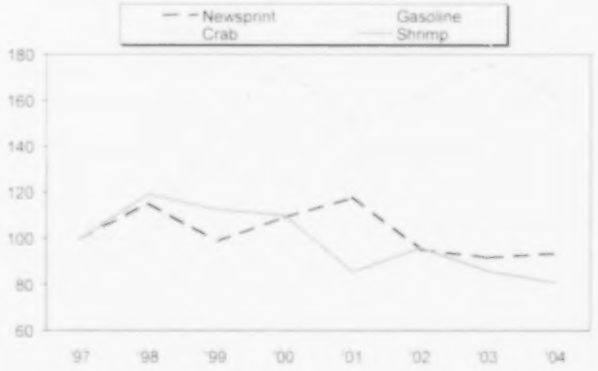
Shipments

Provincial manufacturing shipments exhibited strong growth in 2004. The value of manufacturing shipments reached a record $3.1 billion, up 9.2% over 2003. Growth was broad-based with increases of 7.2% in shipments of non-durable goods (to $2.1 billion) and 13.6% in shipments of durable goods (to $1.0 billion).

Growth in the value of non-durable goods occurred primarily as a result of a 13% increase in the value of seafood production as shrimp catches increased. The value of seafood manufacturing totalled $936 million in 2004, the second highest level on record, behind only 2002 when shipments were $963 million. Growth in durable goods was led by increased production of fabricated metal products for the White Rose offshore oil development.

Most of the province's manufacturers sell their products in highly competitive world markets at US$ based prices. US$ prices for most of the province's manufactured goods increased in 2004. However, the price increases were either partially or totally offset by a 7.7% appreciation in the Canadian dollar. Price indices, in CAN$ terms, for the province's largest categories of manufactured commodities are presented in the chart opposite. Since local manufacturers are price takers, the direction of these indices is generally indicative of changes in manufacturers' profit margins. Over the past several years, gasoline and crab prices have exhibited an upward trend indicating that profitability for producers in those sectors has been improving. Newsprint and shrimp prices have been declining, creating downward pressure on profit margins in those sectors.

Commodity Price Indices
Canadian Dollars, 1997 = 100



Urner Barry Publications; U.S. Department of Energy; TD Bank; Bank of Canada; Economics and Statistics Branch, Department of Finance

Employment

According to Statistics Canada's Labour Force Survey, manufacturing employment totalled 17,200 person years in 2004, representing an increase of 17% over 2003. The largest employment categories in the manufacturing sector were food products (8,900); newsprint (1,800); transportation equipment (1,500); wood products (1,100); and petroleum products (900).

Investment

High levels of investment in recent years have contributed to improved manufacturing performance. Investment in this industry totalled $195 million in 2004. In real terms, this represents the second highest level on record, behind only 1998. Investment growth is expected to continue in 2005 with total manufacturing investment projected to reach $202 million led by a 7% increase in machinery and equipment purchases.

Fishery

Crab fishermen

The fishing industry is an important driver of economic activity in the province, particularly in rural areas. Despite some challenges, the fishery recorded a relatively strong performance in 2004. The volume of fish landings totalled 326,000 tonnes, an increase of 6.0% over 2003 and the value of landings rose by 5.1% to $605.1 million. Employment, as measured by the Labour Force Survey, increased by 15.6% to 16,300 person years.

Market Overview

A strong Canadian dollar put Newfoundland and Labrador exporters at a competitive disadvantage in 2004, contributing to a decline in the return on some seafood sales to the United States. Despite the strength of the Canadian dollar relative to its U.S. counterpart, the United States remained the largest export market for seafood products.

Market conditions were generally positive in the crab sector in 2004 with strong demand and relatively high prices. In the shrimp sector, demand increased slightly, however, stable US$ market prices were eroded by the increase in the Canadian dollar. In the groundfish sector, there was intense competition from China in securing raw material for further processing. The presence of low-priced Chinese groundfish products in the marketplace continues to be a major problem for local groundfish processors. This, combined with a higher Canada/U.S. exchange rate, had a negative impact on processors' profit margins. Markets for capelin were generally good, with harvesting prices significantly higher than the previous year.

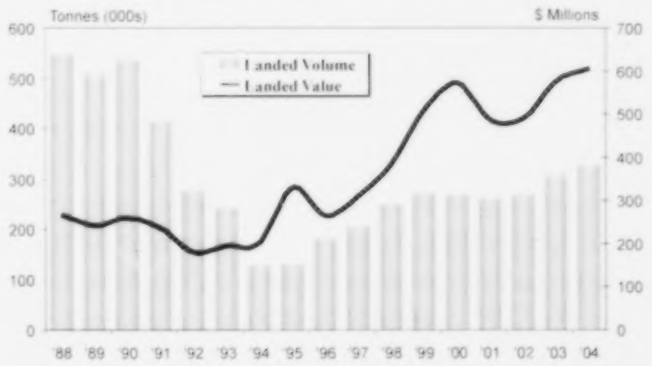
Stock Overview

Northern shrimp stocks are at record levels and the Gulf shrimp stock appears to be healthy. Snow crab stocks are declining in some areas of the province, with quota cuts having occurred over the past couple of years. Overall, however, the crab resource remains at historically high levels. Many groundfish stocks are still under moratoria as stocks of most groundfish species are at historically low levels.

Performance

Since shellfish comprises the lion's share of both the volume and value of fish landings, the performance of the provincial fishery is highly dependent upon the health of the shellfish sector. In 2004, shellfish accounted for 57% of total

Fishery Landings and Landed Values



Department of Fisheries and Aquaculture

landed volume and 83% of total landed value. Total shellfish landings were almost 185,000 tonnes in 2004, representing an increase of 4.6% compared to 2003.

Within the shellfish sector, snow crab and shrimp are the dominant species. Crab landings totalled 55,600 tonnes in 2004 with an associated value of approximately $300 million. This represents a decrease of 4.7% in terms of volume and an increase of 14.2% in value as price increases to harvesters more than offset the decline in landings. The decrease in crab landings was the result of reduced quotas. Shrimp landings rose by 15% to 100,000 tonnes, however, value fell by 6.2% as a result of lower prices.

Fishing boats at Port aux Choix

Groundfish landings totalled 51,400 tonnes in 2004, a decrease of about 13% compared to 2003. Cod landings were on par with 2003, however, landings of most other groundfish species recorded significant declines.

Total pelagic landings were 89,900 tonnes last year, an increase of 25.2% over 2003 as significant increases were recorded in both mackerel and capelin landings.

Fisheries Policy

Several significant changes in fishery policy have been implemented recently. On February 23, 2005, a board was appointed by the Minister of Fisheries and Aquaculture to handle fish processing licensing applications. On March 2, 2005, the provincial government announced its intention to proceed with a raw material shares system for crab processors on a two year pilot basis. These new initiatives are designed to ensure the long-term viability of the fishery.

Outlook for 2005

- Total fish landings are expected to decline slightly.
- Landings of crab will likely decline, however, most other species will remain on par with 2004.
- Exchange rate impacts will continue to challenge processors' profit margins.

Fish Landings

	2003(R)	2004(P)	% Change
Landings (tonnes)			
Groundfish	59,083	51,418	-13.0%
Pelagics	71,777	89,867	25.2%
Shellfish	176,657	184,806	4.6%
Total	**307,517**	**326,091**	**6.0%**
Seals (number)	270,246	326,642	20.9%
Landed Value ($ millions)			
Groundfish	$66.6	$59.2	-11.2%
Pelagics	$15.0	$27.1	81.0%
Shellfish	$481.3	$503.4	4.6%
Seals	$12.7	$15.4	21.1%
Total	**$575.6**	**$605.1**	**5.1%**

Note: R - Revised, P - Preliminary
Department of Fisheries and Aquaculture

Forestry and Agrifoods

Corner Brook Pulp and Paper Limited

FORESTRY

Newsprint

Provincial newsprint shipments totalled 731,700 tonnes in 2004, representing a decline of 6.3% compared to 2003. Production was constrained by weaker demand and excess newsprint capacity, particularly in North America. While US$ transaction prices increased by 9.5% to US$551 per metric tonne, appreciation of the Canadian dollar offset most of this gain and hence newsprint prices increased by only 1.7% in Canadian dollar terms. The net result was a 4.7% decline in the value of provincial newsprint shipments to $524 million.

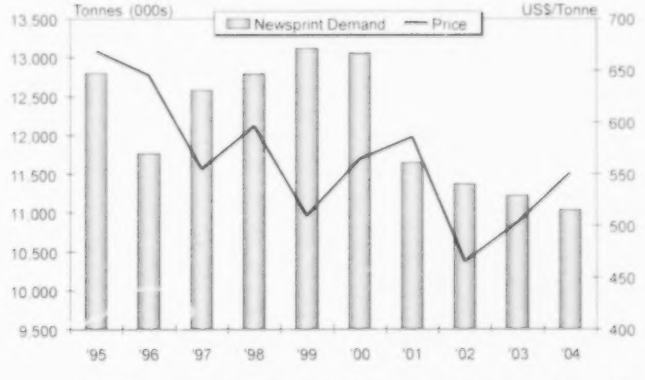
Over the past several years, North American producers have been struggling to cope with a fundamental structural change in the newsprint market. North American demand has declined by 16% since 1999—the result of increasing web-based competition and a shift by publishers towards smaller tabloid form papers—putting downward pressure on prices. Producers have managed to achieve limited price increases since 2002 by removing productive capacity through the closure of some of their older less efficient mills. Despite soft North American markets, provincial mills have been able to maintain production at relatively high levels so far, primarily as a result of increased demand from Asia and South America.

In late January, Abitibi-Consolidated announced that it was undertaking a 60-day comprehensive operations review focusing on four of its higher cost mills including those in Grand Falls-Windsor and Stephenville as well as two in Ontario. At the time of writing the review was ongoing and no further details were available.

Lumber

After experiencing a couple of lean years, the province's lumber industry is once again exhibiting positive growth. Preliminary estimates for 2004 indicate that lumber production increased by 30% over 2003 levels to

North American
Newsprint Demand and Transaction Prices



Pulp and Paper Products Council; TD Economics; Economic Research and Analysis Division, Department of Finance

125 million board feet. The province's two largest sawmills resumed production last year after weak market conditions forced them to shut down for most of 2003. Lumber production is expected to reach full capacity of 140 million board feet in 2005.

Lumber prices increased substantially in 2004 due to strong demand from residential construction in both the United States and Canada. Prices averaged US$394 per thousand board feet, up 42% from US$277 in 2003.

Wholesome Dairy Limited's Good Natured™ yogurt products

AGRIFOODS

Farm Cash Receipts

The largest categories of agricultural products in the province are dairy products (accounting for 35% of total receipts), hens and chickens (20%), eggs (16%), and floriculture and nursery (12%).

Total farm cash receipts increased by 4.1% in 2004 to $85.3 million. The main contributors to growth were egg production (up 13.9% to $13.3 million), dairy products (up 4.4% to $29.5 million) and floriculture and nursery products (up 1.5% to $10.3 million). Receipts from cattle production, which account for only 1% of total farm cash receipts, fell for the third consecutive year in 2004 partially as a result of fall out from the BSE crisis in Western Canada.

Wholesome Dairy Limited

Newfoundland and Labrador became a member of the National Milk Marketing Plan in 2001 which resulted in an increase in the province's industrial milk quota. This quota increase allowed for the creation of Wholesome Dairy Limited, the province's newest dairy processing facility. The facility was officially opened in Stephenville in January, manufacturing its unique brand of Good Natured™ yogurt in a variety of flavours including strawberry, blueberry, raspberry, peach, and two unique locally inspired flavours, partridgeberry and bakeapple. Consumer reaction to the product has been extremely positive.

Wholesome Dairy Limited currently employs a total of 24 full-time employees in its production and marketing divisions. Its Good Natured™ products are available in all major grocery stores throughout the province. The company intends to diversify its operations into cheese production and in the long-term hopes to expand into mainland markets.

Outlook for 2005

- Newsprint shipments are expected to increase by about 4.0% to 760,000 tonnes.
- Newsprint prices are expected to average US$590 per tonne, up 7.3% from 2004 (up 3.7% in Canadian dollar terms to $743 per tonne).
- Lumber production is expected to increase by about 12% to 140 million board feet.
- Lumber prices are expected to average US$350 per thousand board feet down 11% from 2004 levels.

Tourism

Cape St. Mary's Ecological Reserve

Tourism spending in the province is estimated at approximately $800 million per year. Resident travel accounts for about 63% of total spending with the remainder accounted for by tourists from outside the province.

Preliminary figures indicate that 449,300 non-resident visitors came to the province in 2004 and spent an estimated $330 million. This represents an increase of 5.9% in visitors and an increase of 10% in expenditures compared to 2003. The growth in tourism exceeded the other Atlantic Provinces. Air and cruise visitors were responsible for the increase in activity last year. Gains in both these sectors more than offset a drop in the number of tourists travelling by automobile.

Air and Cruise Travel

Air passenger travel accounts for the largest share of non-resident travel each year. Air visitors in 2004 increased by 13.2% over 2003. The most significant gains in airport passenger movements occurred at the St. John's and Deer Lake airports, with noticeable increases also posted in Happy Valley-Goose Bay and Wabush. This growth was mainly due to a more competitive airline industry with consumers taking advantage of attractive seat prices and travel packages.

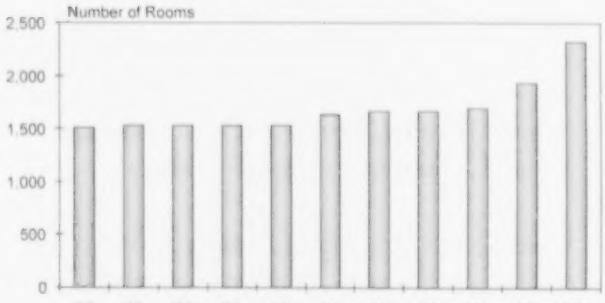
Better air travel options and new accommodation and meeting infrastructure have played an important role in the continued growth of the meetings and conventions sector. A record number of conventions occurred in the

Accommodation Expansion in the St. John's Metropolitan Area

Construction cranes and scaffolding have been a common sight in and around the hotel/motel sector in the St. John's Metropolitan Area in recent years. Five new facilities came on stream in 2004, adding 236 rooms to the 1,692 previously available. In 2005, new development and renovation construction will continue around the area. Several hotels are presently under construction, while others are in the planning stages. A further 392 rooms are expected to be added this year, bringing the total to 2,320 in 2006. This compares with 1,506 available rooms in 1996.

This boom in activity reflects considerable growth in demand for accommodations. Since 1996, the number of room nights sold in the greater St. John's area has grown by an estimated 4.9% per year. Forces behind this performance include solid growth in non-resident airline travel, reflecting in part an expanding meetings/convention market, and overall economic strength due to major projects in particular and the need for business travel.

Hotel/Motel Room Supply
St. John's CMA



Department of Economic Development, Tourism and Culture, City of St. John's
Note: Data recorded January 1st of each year
f: forecast

St. John's area in 2004. For larger conferences (i.e., those booking 50 or more guest rooms per night), the estimated number of delegates exceeded 20,000 in 2004, considerably higher than the previous five-year average. These delegates attended 96 major meetings, conventions and events, as compared to 62 held in 2003.

Cruise ship visitors also contributed to the growth in tourism activity in 2004. Visitors increased 25.5% to 17,700 and the total number of port calls almost doubled, increasing from 77 in 2003 to 142 last year.

Expansion of Delta Hotel in St. John's

Automobile Travel

Automobile tourist travel, both resident and non-resident, was down in 2004. Non-resident visitors arriving in the province by automobile declined by 10% over 2003. Declining auto visits were reflected in lower visitation at the province's historic sites, museums, Visitor Information Centres, and public and commercial campgrounds. Some of the reasons for the decrease in overall automobile travel last year were escalating gas prices, higher ferry rates, the high value of the Canadian dollar, and longer border waiting times.

A sluggish resident travel market and a decline in non-resident auto traffic were likely the main contributors to uneven regional performance in 2004. In general, while some areas of the province benefitted from strong growth in air and cruise visitors, other regions, more dependent on auto traffic and resident tourism, experienced declines.

Non-Resident Tourism Visitation, 2004

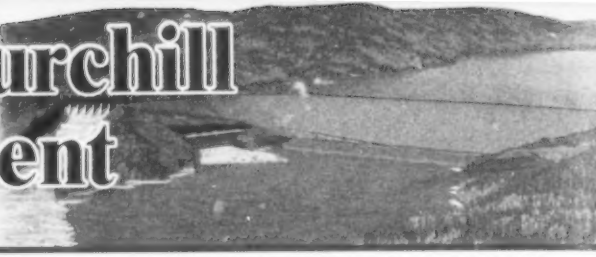
Mode	Visits	% Change	Spending ($ Millions)	% Change
Auto	126,200	-10.1%	$66.6	-10.2%
Air	305,400	13.2%	$262.1	16.6%
Cruise	17,700	25.5%	$1.3	30.0%
Total	**449,300**	**5.9%**	**$330.0**	**10.0%**

Note: All data subject to revision pending final results from the recent Auto and Air Exit Surveys.
Department of Tourism, Culture and Recreation

Outlook for 2005

- Tourism performance is expected to hold steady in 2005.
- Scheduling as of mid-February 2005 indicates that cruise ship port calls are ahead of last year's level.
- Convention meetings and bookings point to another busy year, with pre-bookings for 2005 already exceeding 2004 levels.
- New accommodation capacity will foster growth in the medium term.
- The opening of *The Rooms* is slated for June. This provincial museum, archives and art gallery, will add significantly to the province's cultural and heritage attractions.

Proposed Lower Churchill Hydro Development



Artist rendition of Lower Churchill

The Lower Churchill hydroelectric resource is a significant untapped long-term source of clean, renewable energy that has the potential to make a significant contribution to the reduction of greenhouse gas emissions from power generation in Canada.

Located 225 kilometres from the existing 5,428 megawatt generating facility at Churchill Falls, Labrador, the proposed Lower Churchill development includes two potential sites. A 2,000 megawatt project at Gull Island has the potential to produce an average 11.9 terawatt-hours of energy annually. An 824 megawatt project at Muskrat Falls has the potential to produce an average 4.8 terawatt-hours per year. Combined, the projects can produce sufficient energy to supply up to 1.4 million households annually[1] and displace an estimated 16 mega tonnes of carbon dioxide emissions annually from comparable production from coal thermal generation.

Request for Expressions of Interest and Proposals

On January 10, 2005, the Government of Newfoundland and Labrador in partnership with Newfoundland and Labrador Hydro (NLH) issued a Request for Expressions of Interest and Proposals for participation in the development of the Lower Churchill hydro resource. The Government indicated it is open to considering all proposal concepts, including use of the power in Labrador, on the island, for export, or some combination of these options. The Government is also interested in considering a range of potential forms of participation in the development. The objective of the proposal call is to provide a formal process for all interested parties to present their proposal concepts and qualifications for consideration. The deadline for submissions is March 31, 2005.

The request for proposals is the first of a multi-phase process that is intended to lead to the successful commercial negotiation of a development agreement for one or both of the proposed projects. Proponents whose proposals meet Government's criteria will be invited to enter into an agreement with the Government and NLH to undertake a feasibility study. Phase 2 of the process will involve feasibility studies of selected proposal concepts. Proponents of the most viable development concepts may be invited to enter into a letter of intent for negotiation of commercial principles. Successful negotiations will lead to the execution of a Memorandum of Understanding, or similar document, and detailed negotiations for a development agreement.

Lower Churchill Request for Expressions of Interest and Proposals Process

Phase 1	Request for Expressions of Interest and Proposals
Phase 2	Feasibility Assessment of selected project concepts
Phase 3	Negotiation of commercial principles and ongoing technical study
Phase 4	Detailed commercial negotiations and final technical studies

[1] *The number of households is dependent on multiple factors including: heating sources, regional location and the electricity requirements.*

Key Development Considerations

The Government is committed to developing the resource in a manner that secures maximum benefits for the people of Newfoundland and Labrador. The potential economic impact over the service life of the facilities will depend on the nature of the development arrangement that can be successfully negotiated and the intended use of the power. During the development phase, total direct and indirect employment in Labrador for the Gull Island project alone is estimated to be almost 17,000 person years over the six year construction period. The cost of the development will depend on the project configuration developed and the time frame of the development. Direct capital cost estimates are presented below.

Gull Island: N52° 58′ W61° 26′
Muskrat Falls: N53° 15′ W60° 46′

Direct Capital Costs
(2004 $ Billions)

	Gull Island	Muskrat Falls
Generation	$1.7	$1.0
Transmission (in Labrador only)	$0.5	$0.1
Total	**$2.2**	**$1.1**

Note: Costs estimates are direct costs only, including management and engineering, but excluding contractors' management costs, guarantees, insurance, owners' costs, escalation, interest during construction and potential Impact and Benefits Agreement.

Aboriginal consultation is also an important consideration in the development of the resource. The Labrador Innu claim aboriginal rights and title to land in Labrador, including that in the proposed development area. This land claim has been accepted for negotiation by the Governments of Canada and Newfoundland and Labrador. The Government and NLH consulted with the Innu Nation prior to the release of the Request for Expressions of Interest and Proposals document. Demonstrated awareness of aboriginal issues and willingness to plan to address these issues will be one of the criteria in assessing the development proposals. Commitment to management of environmental aspects of the development is also a key consideration. The projects will be subject to environmental assessment and must receive environmental approval in accordance with federal and provincial legislated requirements before they can proceed.

Statistical Indicators

	Real GDP (Chained 1997$ Millions)	Employment (Person Years, 000s)
	2003	2004
Goods Producing Industries	**N/A**	**48.2**
Agriculture	48.9	1.2
Forestry & Logging	103.3	1.3
Fishing, Hunting & Trapping	225.3	8.6
Mining & Oil Extraction	2,674.4	6.1
Manufacturing	920.5	17.2
Fish Products	185.9	7.8
Other	734.6	9.4
Construction	672.8	11.9
Utilities	414.6	2.0
Services Producing Industries	**N/A**	**167.0**
Wholesale Trade	479.4	6.0
Retail Trade	769.8	33.4
Transportation & Warehousing	468.6	11.9
Finance, Insurance, Real Estate, & Business Support Services	2,084.5	15.0
Professional, Scientific & Technical Services	355.7	6.8
Educational Services	717.9	16.9
Health Care & Social Assistance	1,121.9	29.6
Information, Culture & Recreation	578.9	7.9
Accommodation & Food Services	234.4	13.0
Public Administration	1,149.9	15.6
Other Services	252.9	11.0
Total, All Industries	**14,206.5***	**215.2**

Note: GDP is expressed at basic prices, measuring payments made to the owners of factor inputs in production. This differs from GDP at market prices. The difference is attributable to taxes less subsidies on products.

Statistics Canada; Economic Research and Analysis Division, Department of Finance

* Due to chain fisher volume index methodology, industry categories do not add to given total.

Major Capital Projects

Templeton Building, downtown St. John's

Inventory of Major Capital Projects

The inventory of major projects provides information on capital projects and spending programs in Newfoundland and Labrador valued at $1 million or more. The list includes both public and private projects that are either continuing or starting in the current year. All spending is privately funded unless otherwise indicated. In some cases, the capital spending figure quoted includes spending from previous years. The inventory was prepared in February and March 2005.

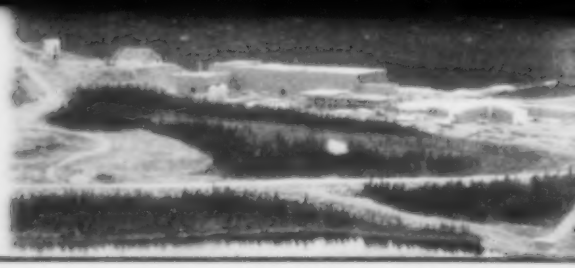
Major Projects ($ millions)

Mining/Oil and Gas	5,507
Tourism/Culture/Recreation	806
Environmental	633
Residential	608
Municipal Infrastructure	418
Utilities	254
Transportation	217
Commercial	73
Education	68
Other	102
Total	**$8,686**

According to this year's inventory, about $8.7 billion in major capital spending is planned or underway in the province. Resource related projects command the lion's share of the spending. The single largest project is the Voisey's Bay development which has an estimated capital cost of $2.9 billion. This is followed by the White Rose oil development at $2.0 billion. Noteworthy is the considerable spending in the area of tourism, cultural and recreational activities, pegged at over $800 million. The most significant project in this group is the development of the Humber Valley resort complex on the west coast of the province.

This major project listing is available on the Economic Research and Analysis Division's web site (www.economics.gov.nl.ca) in a searchable database. The online database includes search capabilities by *Community* and *Economic Zone* as well as a feature which allows readers to identify a project for future lists.

Major Capital Projects



Voisey's Bay construction site

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Commercial				
Building Redevelopment	1.5	2005	19	Regal Realty - redevelopment of the former Bank of Nova Scotia in downtown St. John's. Upper level of the three-story building will be converted into office space. (St. John's)
Commercial Development	48.0	2004/2006	19	First Pro Shopping Centres - construction of large retail stores. Phase I will consist of Walmart, Canadian Tire, and Home Depot. Phase I will be completed in 2005. Phase II will start in 2005 and be finished by Spring 2006. (St. John's)
Commercial-Retail Land Development	5.0	2005/2009	8	RTGO Developers Inc. - development of a business park. (Deer Lake)
Office Building	6.0-7.5	2005/2006	19	Construction of a four-storey building on the corner of Bishop's Cove and Harbour Drive in St. John's. Class A office space will be ready in 2006. Building will meet all "Smart Building" efficiency criteria. (St. John's)
Office Building Renovations	1.5	2005	19	Renovations of Atlantic Place in downtown St. John's. (St. John's)
Restaurant	1.2	2005	19	Construction of a KFC restaurant. (St. John's)
Supermarket	7.5	2004/2005	19	Development of a 115,000 sq.ft. Dominion store on Blackmarsh Road/Columbus Drive. (St. John's)
Warehouse	1.5	2005	17	Andrews Wholesale Ltd. - rebuilding of a 45,000 sq. ft. warehouse that was destroyed by fire. (Bay Roberts)
Education				
Atlantic Computational Excellence Network (ACEnet)	28.0	2004/2007	19	Memorial University of Newfoundland - ACEnet - a seven university partnership to build research

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
				computing infrastructure led by Memorial University. (St. John's)
School	7.6	2004/2006	14	Rebuilding of fire damaged two-storey, K-6 section of an existing school. Projected expenditures of $5.6 million for the 2005/06 fiscal year. (Carmanville)
School	3.3	2004/2005	14	Rebuilding of fire damaged Holy Cross School Complex. (Eastport)
School	3.3	2005/2006	1	Rebuilding of the fire damaged section of Hopedale School. (Hopedale)
School Construction	26.0	2005/2006	N/A	Activities include new school construction, renovations, extensions, and major maintenance projects. Provincial funds. (Various locations)
Environmental				
Airport Cleanup	3.8	2004/2007	14	Remediation of a remote radar site at the Gander airport. (Gander)
Environmental Improvements	521.0	1996/2006	15	North Atlantic Refining Ltd. - productivity and environmental improvements including reducing sulphur dioxide emissions. Projected expenditures of $60.4 million for 2005. (Come-by-Chance)
Environmental Remediation	106.0	1996/2007	18	Environmental remediation of the former U.S. Naval Base. Projected expenditures of $12 million for the 2005/2006 fiscal year. Federal funds. (Argentia)
Environmental Restoration	2.0	2004/2006	6	Restoration of the former U.S. radar site. Provincial funds. (St. Anthony)
Fishery/Forestry				
Forest and Agriculture Access Roads	3.7	2005/2006	N/A	Construction of access roads on Crown land. Provincial funds. (Various locations)
Newsprint Mill Capital Expenditures	29.0	2005	8	Corner Brook Pulp and Paper Limited - various infrastructure and power related projects. This includes $3.6 million which will be spent on the construction of forest access roads. (Corner Brook)

Major Capital Projects

Cambridge Estates

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Health Care/Personal Care				
Health Care Facilities	31.9	2005/2006	N/A	Expenditures for renovations and equipment purchases. Provincial funds. (Various locations)
Personal and Community Care Homes	5.4	2005/2006	N/A	Installation of sprinkler systems in personal and community care homes. Provincial contribution of $4.0 million. (Various locations)
Personal Care Home for Seniors	4.0	2004/2005	19	Cambridge Estates - construction of a 75-suite personal care home for seniors. Includes a library, lounges, professional services room, chapel, and a fitness room. (St. John's)
Industrial/Manufacturing				
Fur Farm Expansion	1.8	2004/2006	17	Viking Fur - expansion to existing mink farm. (Heart's Delight-Islington)
Integrated Sawmill and Dry Kiln	2.0	2004/2005	8	Eastwood Forest Products Inc. - construction of an integrated sawmill and purchase of a dry kiln. (Deer Lake)
Mink Fur Farm	2.5	2004/2007	15	Construction of a mink fur farm. (Harcourt)
Mink Fur Farm	3.0	2004/2008	12	Construction of a mink fur farm. (Botwood)
Particle Board Plant	9.7	2002/2005	6	Wood Products Industries Ltd. - construction of a particle board plant. Will produce particle board using wood residue from sawmills. (Roddickton)
Research Facility Expansion	1.0	2003/2006	19	Memorial University of Newfoundland - the project involves new experimental facilities in three laboratories, all related to structures and materials testing for offshore applications. Federal and university funds. (St. John's)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Mining/Oil and Gas				
Mineral Exploration	40.0	2005	N/A	Estimate prepared by the Department of Natural Resources. Regional breakdown: $27 million in Labrador and $13 million for the Island. Exploration spending in Labrador associated with nickel, uranium, and iron ore. Spending on the Island focused on gold and copper exploration. (Various locations)
Terra Nova and Hibernia	450.0-500.0	2005	N/A	Hibernia Management and Development Company Ltd. and Petro-Canada - figures include capital drilling costs for the current year. (Offshore Newfoundland)
Voisey's Bay Mineral Development	2,900.0	2002/2031	N/A	Voisey's Bay Nickel Company - includes development and operating expenses at the Voisey's Bay site, the Mini Plant in Ontario, the Hydromet Demonstration Plant and Commercial Processing facility at Argentia, and the Inco Innovation Centre at Memorial University. The 2005 expenditures are estimated to be $292 million. (Various locations)
White Rose Oil Development	2,000.0	2000/2005	N/A	Husky and Petro-Canada - figures are pre-production capital only. Includes the construction of production vessel and modules for vessel; excavation of glory holes; drilling and completion of development wells; fabrication and installation of subsea systems; and hook-up and commissioning of vessel. Projected expenditures of over $500 million in 2005. (Various locations)
Zinc/Copper Mine	92.0	2005/2006	12	Aur Resources Inc. - construction of a mine and a 1,800 tonnes-per-day-mill. (Duck Pond)
Municipal Infrastructure				
Building Redevelopment	2.0	2004/2005	19	City of St. John's - redevelopment of an existing building to house the St. John's Humane Society. (St. John's)
Canada/Newfoundland and Labrador Infrastructure Program	153.7	2000/2006	N/A	Program to assist municipalities in improving infrastructure. 1/3 federal funds, 2/3 provincial/municipal cost-shared according to municipal financial capacity. Projected expenditures of $24.4 million for the 2005/06 fiscal year. (Various locations)

Major Capital Projects

The Meadows

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Canada/Newfoundland Inuit Communities of Labrador Contribution Agreement	8.2	2005/2006	1	Program to provide water and sewer for coastal communities of Labrador and other community improvements. Provincial funding of $5.3 million, Federal funding of $2.9 million. Figures shown are for the 2005/06 fiscal year. (Various locations)
Multi-Year Capital Works Program	85.0	2005/2008	N/A	Program to assist municipalities in construction of local infrastructure. Provincial/Municipal 50/50 cost-shared program. (Various locations)
Municipal Capital Works Program	25.0	2005/2006	N/A	Program to assist municipalities in construction of local infrastructure. Individual projects will be cost shared at various rates, with the Provincial contribution estimated at $17 million. (Various locations)
Sewage Treatment Facility	9.8	2005/2006	9	Town of Stephenville - development of a combined sewer wastewater treatment facility. (Stephenville)
Wastewater Treatment Plant	93.0	2003/2009	19	Construction of a primary sewage treatment plant for St. John's, Mount Pearl and a portion of Paradise. Projected expenditures of $15-$20 million for the 2005/06 fiscal year. 1/3 provincial funding, 1/3 federal funding, 1/3 municipal funding. (St. John's)
Water Supply System Upgrade	2.8	2003/2005	16	Upgrade to industrial water supply system. (Marystown)
Water Treatment Plant	8.2	2005/2006	14	To improve water quality, the town will construct a water treatment facility. A filtration and ozone oxidation system will be employed in the new facility to remove organics, reduce colouration, and disinfect water from the existing water supply of Gander Lake. The system will produce 12 million litres of treated water over 20 hours of operation based on a flow rate of 150 cubic metres (150,000 litres) per hour for each of its four parallel filtration streams. (Gander)
Water Treatment Plant	30.0	2002/2005	19	City of St. John's - construction of a water membrane filtration plant and balancing reservoir. Projected expenditures of $15.0 million for 2005. (St. John's)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Residential				
Affordable Housing Program	30.3	2001/2007	N/A	The objective of this program is to increase the supply of affordable housing in Newfoundland and Labrador by providing grants for housing projects. The $30.3 million figure may include non-capital spending. Federal/Provincial cost-shared. (Various locations)
Apartment Renovation	1.6	2004/2005	19	Northern Property REIT - renovations and upgrades of apartment buildings. (St. John's)
Churchill Square Condominium Complex	5.0	2004/2005	19	SBC Developments Inc.- construction of 24 units, ranging in size from 1,244 to 1,505 sq. ft. Development includes elevator and wheelchair access, as well as meeting and common rooms, exercise facilities, and a barbeque pit. (St. John's)
Housing Development	12.0	2005	1	Construction of up to 70 units in the community of Natuashish. Federal funds. (Natuashish)
Housing Development	55.0	2000/2007	19	Leary's Brook Holdings - construction has begun on a housing development consisting of 300 homes, named "McNiven Estates". (St. John's)
Housing Development	200.0	2000/2015	19	Cabot Development - construction has begun on a housing development that will consist of 900 homes, named "Clovelly Trails". (St. John's)
Housing Development	50.0	2004/2008	19	Chester Dawe Ltd. - construction has begun on a housing development consisting of 300 homes, named "South Brook". (St. John's)
Provincial Home Repair Program	11.5	2005/2006	N/A	Newfoundland and Labrador Housing Corporation - a combination grant/loan program to aid low-income households with home repairs. Federal/Provincial cost-shared. (Various locations)
Residential Development	1.4	2004/2005	8	Lakeside Investments Inc. - phase I, will include development of a residential area along the shores of Deer Lake adjacent to Little Harbour. Will include the development of 55 residential lots and the construction of roads and water infrastructure. (Little Harbour)
Seniors Complex	6.0	2002/2005	19	Squirrel Run Developments Limited - construction of 50 housing units to be named "The Meadows". Phase I (18 units) is complete.

Major Capital Projects

Labrador Winter Trails

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
				Phase II, construction of remaining units will continue in Spring 2005. (St. John's)
Subdivision Development	45.0	2004/2007	19	Fairview Investments - construction has begun on a subdivision development consisting of 300 homes, named "Grovesdale Park". (St. John's)
Subdivision Development	4.0-6.0	2005/2007	19	Paul Murphy Construction Limited - construction of a 12-lot residential subdivision. (St. John's)
Subdivision Development	10.0	2005/2006	19	Reardon Construction and Development Ltd. - construction of 28 semi-detached homes, 35 detached homes, and a daycare centre. To be named, "Nature's Edge". (St. John's)
Subdivision Development	4.7	2004/2005	19	Gibraltar Development Ltd. - construction of 30 homes in the Quidi Vidi area. Fourteen homes are left to be constructed. (St. John's)
Subdivision Development	120.0	2004/2014	19	Modern Homes Limited - construction of 800 building lots. Phase I, construction of 62 single detached homes, began in 2004 and is expected to conclude in 2005. Phase I is estimated to cost $9 million. (St. John's)
Subdivision Development	50.0	1996/2011	19	Karwood Estates - construction of 300-350 houses. Fifty are scheduled to be constructed this year. Project expenditures of $10 million for 2005. (Paradise)
Tourism/Culture/Recreation				
Golf Course	3.0	2002/2005	17	Construction of a 9-hole golf course to be named "Pitcher's Pond Golf Course". Municipal funds. (Whiteway)
Hotel	9.0	2003/2005	19	Harbour View Inn - construction of a hotel. Phase I - 28 suites, constructed in 2003. Phase II - the construction of an additional 60 rooms, restaurant, bar, fitness centre, and business centre - began in June 2004 and is expected to be completed in September 2005. (St. John's)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Hotel	7.0	2004/2005	19	Resource Development Associates Inc. - construction of a four-storey Super 8 hotel consisting of 82 guest rooms, an indoor swimming pool, and three-storey waterslide. (St. John's)
Hotel Expansion	15.0	2004/2005	19	Fortis Properties - expansion of existing Delta Hotel to add 12 storeys and 128 rooms. (St. John's)
Humber Valley Resort - Development I	200.0	1999/2006	8	Humber Valley Resort Corporation - construction of a 600 acre, 321 chalet resort and 18 hole golf course on the north side of the lower Humber River. Main complex will include a restaurant, bar, viewing gallery, pro shop, and conference area. Also separate buildings will be constructed for a spa and beach house. Projected expenditures of $50 million for 2005. Contribution of $500,000 by the Atlantic Canada Opportunities Agency. (Humber Valley)
Humber Valley Resort - Development II	500.0	2004/2011	8	Humber Valley Resort Corporation - expansion of existing world class, four season resort to include an additional 750 chalets, a club house complex, a second 18-hole golf course and associated infrastructure. (Humber Valley)
Interpretation Centre	3.2	2005/2007	20	Cape Race Orientation Centre - construction of an interpretation centre and related developments. Financial approval for Phase 1 approved by the Atlantic Canada Opportunities Agency and HRSDC. (Cape Race, Mistaken Point, Southern Avalon)
Interpretation Centre	2.2	2005/2010	20	Holyrood Pond Marine Interpretation Centre - construction of an interpretation centre and related developments. Financial approval for Phase 1 approved by the Atlantic Canada Opportunities Agency and HRSDC. (St. Mary's, St. Vincent's)
Interpretation Centre	2.3	2005/2006	7	Construction of a salmon interpretation centre in the Torrent River Nature Park. Will include a viewing window below the water line for visitors to watch the salmon as they swim upstream to spawn. (Hawke's Bay)
Resort Development	30.0	2004/2009	7	Eastern Arm Enterprises - development of "Gros Morne Resort". Will include a 150-room hotel, 150 site RV park, marina, day park, hiking trails, 18-hole golf course, indoor beach, boat tour, gas station, convenience store/fresh meat and fish market, and picnic area. (St. Paul's)

Major Capital Projects

St. John's harbour infrastructure

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Resort/Residential Development	5.0	2004/2009	8	RTGO Developers Inc. - construction of a resort/residential development that will include 41 chalets, an administration building, a river front beach house, a service building, access roads, and floating dock facilities. (Deer Lake)
Restoration Project	1.0	2001/2006	19	Anglican Cathedral of Saint John the Baptist - restoration and replacement of masonry. (St. John's)
Revitalization of Downtown Core	5.5	1995/2005	8	Corner Brook Downtown Business Association - beautification of the downtown area of the city including sidewalk modifications and linkage into the Corner Brook Stream Trail System, heritage lighting, the planting of 600 trees and construction of a gazebo. To date, $3.3 million has been spent. Funding sources include federal, provincial and municipal governments as well as members of the Corner Brook Downtown Business Association. (Corner Brook)
Snowmobile Trails	11.4	1998/2006	N/A	Newfoundland and Labrador Snowmobile Federation - completion of the snowmobile trail system. Funded partially by the Atlantic Canada Opportunities Agency. (Various locations)
Soccer Complex Expansion	1.1	2005	19	Improvements to the existing King George V Soccer Complex. Improvements will include widening and lengthening the field surface, installing an underground irrigation system, constructing new locker room facilities as well as expanding the bleacher seating to accommodate 6,000 patrons. (St. John's)
Winter Trails	10.0	1998/2006	1, 2, 3, 4	Labrador Winter Trails Inc. - development of winter trails throughout Labrador. Funded through Atlantic Canada Opportunities Agency and HRSDC. (Various locations)
Transportation				
Harbour Development	12.0	2005/2006	N/A	Fisheries and Oceans Canada - ongoing program of small craft harbour maintenance, repair and replacement of wharves, breakwaters, slipways

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
				and other marine infrastructure. Federal funds. (Various locations)
Harbour Dredging	2.0	2005	9	Port Harmon Authority - dredging Port Harmon harbour to 10.7 metres below low normal tide. (Stephenville)
Harbour Infrastructure	2.5	2005	19	Construction of a roll on/roll off ramp at Pier 2 West, St. John's harbour. Used to offload tractor trailers and automobiles from ships. (St. John's)
Highway/Regional Road Construction	18.0	2005/2006	N/A	Highway and regional trunk road construction projects. To be cost shared with the Federal government. (Various locations)
Labrador Airports Restoration Program	5.0	2003/2008	N/A	Restoration work on Labrador Coastal Airstrips. Federal funds. (Various locations)
Labrador Transportation Initiative - Phase III	110.6	2004/2009	3, 4	Construction of the Trans Labrador Highway from Cartwright to Happy Valley-Goose Bay, including new highway maintenance depot. Projected expenditures of $41.0 million for the 2005/06 fiscal year. Funded by the Labrador Transportation Initiative Fund. (Various locations)
Roads Improvement and Construction	33.7	2005/2006	N/A	A variety of projects undertaken to maintain roads, bridges and causeways throughout the province. Provincial funds. (Various locations)
Runway Resurfacing	10.0	2005/2006	3	Resurfacing of runways at 5 Wing Goose Bay. Federal funds. (Happy Valley-Goose Bay)
Strategic Highway Infrastructure Program	23.0	2003/2006	N/A	Program to allow improvements to roads on the National Highway system, primarily on the Trans Canada Highway. Projects are cost-shared 50/50 between the federal and provincial government. Projected expenditures for the 2005/06 fiscal year are $13.7 million. (Various locations)
Utilities				
Electric Utility Capital Program	56.0	2005	N/A	Newfoundland and Labrador Hydro - capital programs which include upgrades and improvements to transmission lines and distribution systems, improvements to generating facilities, replacement of an energy management system and a VHF mobile radio system, interconnection of Rencontre East and the purchases of new equipment. (Various locations)

Major Capital Projects

Windmills

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Electrical Utility Capital Program	48.1	2005	N/A	Newfoundland Power Inc. - figures include capital expenditures for replacing deteriorating electrical equipment to meet service and energy demands. (Various locations)
Telecommunications/IT	80.0	2005	N/A	Aliant Inc. - expenditures related to telecommunications and information technology improvements. (Various locations)
Wind Power Project	60.0-80.0	2005/2006	15	Construction of a 37.5 to 48 MW wind farm that will consist of 16 to 25 individual wind turbine generators each with a capacity of 1.5 to 3.0 MW's. (Elliston, Bonavista)
Other Investment				
Broadband Initiative	4.7	2005	N/A	Labrador Broadband Initiative - a partnership project to provide DSL services to Labrador communities. (Various locations)
RCMP Capital Program	3.0	2005/2006	N/A	Royal Canadian Mounted Police - housing construction and renovation, environmental projects, building upgrades and new construction including the completion of a new district office in Holyrood, the completion of a new detachment in Sheshatshiu and the planning and design of new detachments for Cartwright and Springdale. (Various locations)

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